



GOV. MSG. NO. 1170

EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

May 29, 2015

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 210  
Honolulu, Hawai'i 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on May 29, 2015, the following bill was signed into law:

HB581 HD1 SD2 CD1

RELATING TO THE HOSPITAL SUSTAINABILITY  
PROGRAM  
**ACT 070 (15)**

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai'i

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THE SENATE  
CLERK'S OFFICE  
STATE OF HAWAII

'15 MAY 29 P5:12

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OFFICE OF THE PRESIDENT

'15 MAY 29 P4:06

67-243

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# A BILL FOR AN ACT

RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

SECTION 1. Act 217, Session Laws of Hawaii 2012, as amended by section 1 of Act 141, Session Laws of Hawaii 2013, as amended by section 1 of Act 123, Session Laws of Hawaii 2014, as applicable, is amended by amending section 2 to read as follows:

1. By amending the definitions of "net patient service revenue" and "private hospital" in section -3, Hawaii Revised Statutes, to read:

"Net patient service revenue" means gross revenue from inpatient and outpatient care provided to hospital patients converted to net patient revenue utilizing data from Worksheets G-2 and G-3 of each hospital's medicare cost report for fiscal year ~~[2011-2012-]~~ 2012-2013. If the hospital is new or did not file a fiscal year medicare cost report, the department shall obtain the hospital's net patient service revenue from the most recent period available.

"Private hospital" means those non-public hospitals named in attachment A of the medicaid section 1115 demonstration



1 waiver that were in operation in calendar year [2013] 2014 and  
2 are currently operating."

3 2. By amending subsection (c) of section -4, Hawaii  
4 Revised Statutes, to read:

5 "(c) Moneys in the hospital sustainability program special  
6 fund shall be used exclusively as follows:

- 7 (1) To make direct supplemental uncompensated care and  
8 upper payment limit payments to private hospitals  
9 pursuant to the terms of the section 1115 waiver. At  
10 least eighty-eight per cent of the moneys in the  
11 special fund shall be used for this purpose, provided  
12 that in no instance shall a hospital receive  
13 [~~uncompensated care costs~~] supplemental payments that  
14 exceed its allowable uncompensated care costs;  
15 (2) Twelve per cent of the moneys in the special fund may  
16 be used by the department for other departmental  
17 purposes; and  
18 (3) Any money remaining in the special fund six months  
19 after the repeal of this chapter, shall be distributed  
20 to hospitals within thirty days in the same  
21 proportions as received from the hospitals."



1           3. By amending subsections (c) and (d) of section -5,  
2 Hawaii Revised Statutes, to read:

3           "(c) The hospital sustainability fee for inpatient care  
4 services may differ from the fee for outpatient care services  
5 but the fees shall not in the aggregate exceed three per cent of  
6 net patient service revenue as derived from the hospital's  
7 medicare cost report ending during state fiscal year [~~2011-~~  
8 ~~2012-~~] 2012-2013. The inpatient hospital sustainability fee  
9 shall be [~~2.175~~] 1.892 per cent of net inpatient hospital  
10 service revenue. The outpatient hospital sustainability fee  
11 shall be three per cent of net outpatient hospital service  
12 revenue. Each fee shall be the same percentage for all affected  
13 hospitals, subject to subsection (d).

14           (d) The department shall exempt children's hospitals,  
15 federal hospitals, public hospitals, rehabilitation hospitals,  
16 and psychiatric hospitals, and any hospital that was not in  
17 private operation during any part of calendar year [~~2013~~] 2014  
18 from the hospital sustainability fees on inpatient services. In  
19 addition, the department shall exempt hospitals with net  
20 outpatient revenue of less than [~~\$45,000,000~~] \$50,000,000 per  
21 year (based on fiscal year [~~2011-2012~~] 2012-2013 reports) [~~7~~] and



1 public hospitals, and any hospital that was not in private  
2 operation during any part of calendar year [~~2013~~] 2014 from the  
3 hospital sustainability fee on outpatient care services."

4 4. By amending section -8, Hawaii Revised Statutes, to  
5 read:

6 "§ -8 Multifacility locations. If an entity conducts,  
7 operates, or maintains more than one hospital licensed by the  
8 department of health, the entity shall pay the hospital  
9 sustainability [~~fee~~] fees for each hospital separately[~~-~~],  
10 unless it operates and files more than one hospital under a  
11 single medicare cost report."

12 5. By amending section -10, Hawaii Revised Statutes, to  
13 read:

14 "§ -10 Private hospital payments. (a) The department  
15 shall use moneys solely from the hospital sustainability program  
16 special fund to make direct payments to private hospitals [~~in an~~  
17 ~~amount equal to \$85,000,000~~], pursuant to the terms of the  
18 section 1115 waiver, in an amount equal to \$88,000,000 to cover  
19 the uncompensated care costs incurred by private hospitals for  
20 serving medicaid and uninsured individuals during state fiscal  
21 year [~~2014-2015-~~] 2015-2016.



1        (b) The department shall use moneys solely from the  
2        hospital sustainability program special fund to make direct  
3        upper payment limit payments in an amount equal to \$3,975,442,  
4        pursuant to the terms of the section 1115 waiver, to level II  
5        trauma centers verified by the American College of Surgeons and  
6        designated by the department of health, including recognized  
7        specialty children's hospitals that do not pay both the  
8        inpatient and outpatient assessments.

9        ~~[-(b)-]~~ (c) The department shall make quarterly payments to  
10       private hospitals to reimburse their uncompensated care costs  
11       within twenty days after the end of each calendar quarter;  
12       provided that payments shall not be due until at least fifteen  
13       days after receipt of the fees required by section -6. If the  
14       department fails to pay the full amount when due, there shall be  
15       added to the payment a penalty equal to prime plus two per cent  
16       of the payment that was not paid when due.

17       ~~[-(e)-]~~ (d) Each eligible hospital's quarterly payment shall  
18       be equal to one-quarter of its prorated share of uncompensated  
19       care costs for the fiscal year in which payment is made, as  
20       derived from the uncompensated care costs reported by all



1 private hospitals for fiscal year ~~[2011-2012.]~~ 2012-2013;

2 provided that:

3 (1) Outpatient uncompensated care costs shall be  
4 reimbursed at one hundred per cent of reported  
5 uncompensated care costs; and

6 (2) Inpatient uncompensated care costs shall be reimbursed  
7 on a prorated share based on the remaining  
8 uncompensated care amounts available through the  
9 section 1115 waiver.

10 (e) Each eligible hospital's quarterly payment from the  
11 hospital sustainability program special fund shall be equal to  
12 one-quarter of its share of upper payment limit payments for the  
13 fiscal year in which payment is made. Eligible hospitals shall  
14 receive their payments based on their medicaid utilization to  
15 ensure access to care for that beneficiary population.

16 ~~[-(d)]~~ (f) If federal approval pursuant to section -7 is  
17 not received until after the end of any quarter for which the  
18 hospital sustainability fee is applicable, the department shall  
19 make the initial quarterly payments within five days after  
20 receipt of the hospital sustainability fee for the respective  
21 quarter.





1        [~~(e)~~] (g) To the extent the hospital sustainability  
2 program is not effective for the entire year, the hospital  
3 sustainability fee, the state medicaid expenses and  
4 administrative fee, and the corresponding uncompensated care  
5 payments shall be based on the proportion of the fiscal year the  
6 program is in effect."

7        SECTION 2. Act 217, Session Laws of Hawaii 2012, as  
8 amended by section 2 of Act 141, Session Laws of Hawaii 2013,  
9 and as amended by section 2 of Act 123, Session Laws of Hawaii  
10 2014, is amended by amending section 5 to read as follows:

11        "SECTION 5. This Act shall take effect on July 1, 2012,  
12 and shall be repealed on June 30, [~~2015-~~] 2016; provided that  
13 section     -4, Hawaii Revised Statutes, in section 2 of this  
14 Act, and the amendment to section 36-30(a), Hawaii Revised  
15 Statutes, in section 3 of this Act, shall be repealed on  
16 December 31, [~~2015-~~] 2016; provided further that the amendment  
17 to section 36-30(a), Hawaii Revised Statutes, in section 3 of  
18 this Act, shall not be repealed when section 36-30, Hawaii  
19 Revised Statutes, is reenacted on June 30, 2015, pursuant to  
20 section 34(3) of Act 79, Session Laws of Hawaii 2009."



1 SECTION 3. Act 123, Session Laws of Hawaii 2014, is  
2 amended by amending section 7 to read as follows:

3 "SECTION 7. This Act shall take effect on June 29, 2014;  
4 provided that ~~[section]~~:

5 (1) Section 5 shall take effect on July 1, 2014[-];

6 (2) The amendments made to sections 36-27(a) and 36-30(a),  
7 Hawaii Revised Statutes, in sections 3 and 4 of this  
8 Act shall not be repealed when sections 36-27 and 36-  
9 30, Hawaii Revised Statutes, are reenacted on June 30,  
10 2015, pursuant to section 34 of Act 79, Session Laws  
11 of Hawaii 2009; and

12 (3) The amendments made to sections 36-27(a) and 36-30(a),  
13 Hawaii Revised Statutes, in sections 3 and 4 of this  
14 Act shall be repealed on December 31, 2016."

15 SECTION 4. Section 36-27, Hawaii Revised Statutes, is  
16 amended by amending subsection (a) to read as follows:

17 "(a) Except as provided in this section, and  
18 notwithstanding any other law to the contrary, from time to  
19 time, the director of finance, for the purpose of defraying the  
20 prorated estimate of central service expenses of government in  
21 relation to all special funds, except the:



- 1 (1) Special out-of-school time instructional program fund
- 2 under section 302A-1310;
- 3 (2) School cafeteria special funds of the department of
- 4 education;
- 5 (3) Special funds of the University of Hawaii;
- 6 (4) State educational facilities improvement special fund;
- 7 (5) Convention center enterprise special fund under
- 8 section 201B-8;
- 9 (6) Special funds established by section 206E-6;
- 10 (7) Housing loan program revenue bond special fund;
- 11 (8) Housing project bond special fund;
- 12 (9) Aloha Tower fund created by section 206J-17;
- 13 (10) Funds of the employees' retirement system created by
- 14 section 88-109;
- 15 (11) Hawaii hurricane relief fund established under chapter
- 16 431P;
- 17 (12) Hawaii health systems corporation special funds and
- 18 the subaccounts of its regional system boards;
- 19 (13) Tourism special fund established under section 201B-
- 20 11;



- 1 (14) Universal service fund established under section 269-  
2 42;
- 3 (15) Emergency and budget reserve fund under section 328L-  
4 3;
- 5 (16) Public schools special fees and charges fund under  
6 section 302A-1130;
- 7 (17) Sport fish special fund under section 187A-9.5;
- 8 (18) Glass advance disposal fee established by section  
9 342G-82;
- 10 (19) Center for nursing special fund under section 304A-  
11 2163;
- 12 (20) Passenger facility charge special fund established by  
13 section 261-5.5;
- 14 (21) Court interpreting services revolving fund under  
15 section 607-1.5;
- 16 (22) Hawaii cancer research special fund;
- 17 (23) Community health centers special fund;
- 18 (24) Emergency medical services special fund;
- 19 (25) Rental motor vehicle customer facility charge special  
20 fund established under section 261-5.6;



1       (26) Shared services technology special fund under section  
2           27-43;

3       (27) Automated victim information and notification system  
4           special fund established under section 353-136;

5       (28) Deposit beverage container deposit special fund under  
6           section 342G-104;

7       (29) Hospital sustainability program special fund under Act  
8           217, Session Laws of Hawaii 2012, as amended [~~by Act~~  
9           ~~141, Session Laws of Hawaii 2013~~];

10      [+] (30) [+] Nursing facility sustainability program special fund  
11           under Act 156, Session Laws of Hawaii 2012;

12      [+] (31) Hawaii 3R's school improvement fund[+] under section  
13           302A-1502.4; and

14      [+] (32) [+] After-school plus program revolving fund under  
15           section 302A-1149.5,

16 shall deduct five per cent of all receipts of all special funds,  
17 which deduction shall be transferred to the general fund of the  
18 State and become general realizations of the State. All  
19 officers of the State and other persons having power to allocate  
20 or disburse any special funds shall cooperate with the director  
21 in effecting these transfers. To determine the proper revenue



1 base upon which the central service assessment is to be  
2 calculated, the director shall adopt rules pursuant to chapter  
3 91 for the purpose of suspending or limiting the application of  
4 the central service assessment of any fund. No later than  
5 twenty days prior to the convening of each regular session of  
6 the legislature, the director shall report all central service  
7 assessments made during the preceding fiscal year."

8 SECTION 5. Section 36-30, Hawaii Revised Statutes, is  
9 amended by amending subsection (a) to read as follows:

- 10 "(a) Each special fund, except the:
- 11 (1) Transportation use special fund established by section  
12 261D-1;
- 13 (2) Special out-of-school time instructional program fund  
14 under section 302A-1310;
- 15 (3) School cafeteria special funds of the department of  
16 education;
- 17 (4) Special funds of the University of Hawaii;
- 18 (5) State educational facilities improvement special fund;
- 19 (6) Special funds established by section 206E-6;
- 20 (7) Aloha Tower fund created by section 206J-17;



- 1 (8) Funds of the employees' retirement system created by  
2 section 88-109;
- 3 (9) Hawaii hurricane relief fund established under section  
4 431P-2;
- 5 (10) Convention center enterprise special fund established  
6 under section 201B-8;
- 7 (11) Hawaii health systems corporation special funds and  
8 the subaccounts of its regional system boards;
- 9 (12) Tourism special fund established under section 201B-  
10 11;
- 11 (13) Universal service fund established under section 269-  
12 42;
- 13 (14) Emergency and budget reserve fund under section 328L-  
14 3;
- 15 (15) Public schools special fees and charges fund under  
16 section 302A-1130;
- 17 (16) Sport fish special fund under section 187A-9.5;
- 18 (17) Center for nursing special fund under section 304A-  
19 2163;
- 20 (18) Passenger facility charge special fund established by  
21 section 261-5.5;



1 (19) Court interpreting services revolving fund under  
2 section 607-1.5;  
3 (20) Hawaii cancer research special fund;  
4 (21) Community health centers special fund;  
5 (22) Emergency medical services special fund;  
6 (23) Rental motor vehicle customer facility charge special  
7 fund established under section 261-5.6;  
8 (24) Shared services technology special fund under section  
9 27-43;  
10 (25) Nursing facility sustainability program special fund  
11 established pursuant to Act 156, Session Laws of  
12 Hawaii 2012;  
13 (26) Automated victim information and notification system  
14 special fund established under section 353-136; and  
15 (27) Hospital sustainability program special fund under Act  
16 217, Session Laws of Hawaii 2012, as amended [~~by Act~~  
17 ~~141, Session Laws of Hawaii 2013~~],  
18 shall be responsible for its pro rata share of the  
19 administrative expenses incurred by the department responsible  
20 for the operations supported by the special fund concerned."





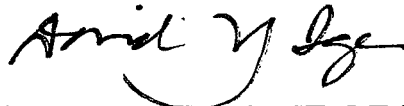
1       SECTION 6. There is appropriated out of the hospital  
2 sustainability program special fund the sum of \$50,000,000 or so  
3 much thereof as may be necessary for fiscal year 2015-2016 to be  
4 used for the purposes of the hospital sustainability program  
5 special fund.

6       The sum appropriated shall be expended by the department of  
7 human services for the purposes of this Act.

8       SECTION 7. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10       SECTION 8. This Act shall take effect on July 1, 2015;  
11 provided that sections 1, 2, and 3 of this Act shall take effect  
12 on June 29, 2015.

APPROVED this 29 day of MAY, 2015



GOVERNOR OF THE STATE OF HAWAII

